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NEAR EAST/AFRICA BRANCH  
OFFICE OF REPORTS AND ESTIMATES  
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

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NEAR EAST/AFRICA BRANCH

INTELLIGENCE SUMMARY

Vol. IV No.30

For Week Ending  
2 August 1949

GREECE

Tito's attitude and guerrilla manpower: With the estimated number of guerrillas in Greece reduced below 17,000 for the first time in nearly two years, Tito's attitude toward the Greek guerrillas and their Slavo-Macedonian supporters may be touching the guerrillas at their most sensitive point--manpower. By his policy of "gradually closing" the Greek frontier to the guerrillas, Tito is not merely restricting their tactical movements but also asserting his control over the several thousand guerrilla reserves remaining in Yugoslavia. By his blandishments of the Greek Slavo-Macedonians, he is undermining a hitherto minor source of Greek guerrilla manpower which may become increasingly important to the guerrillas when the Greek Armed Forces' summer offensive develops. The manpower situation is not yet critical enough, however, to indicate that Tito really holds a trump card which would encourage him to take hasty measures toward an eventual Yugoslav-Greek Government rapprochement. The Greeks' impending offensive, which may draw most of the available guerrilla reserves and outlying units to critical areas on the Albanian frontier, may well serve to clarify Tito's attitude toward Greece.

TURKEY

"Compensation" trade problem: The Turkish Government seems to be making a sincere effort to reduce the volume of "compensation" trade--the vicious, and generally extra-legal, practice of selling costly and often otherwise unsaleable exports by adding, in effect, a compensatory amount to imported products much in demand. Continued use of this system results in ever-increasing costs of imported goods and a rise in internal price levels generally, thus raising still further the cost of exportable products. The spiral is ever upward. Apart from fancy profits accruing to traders, the chief advantage of the system is that high-priced products are sold abroad. However, the principal disadvantage--inflated prices and increases in the cost of living--would seem to outweigh any favorable factor. There is no easy solution. To offer bounties (i.e., government subsidies) to exporters, which Turkey has done in the past, has the same effect as

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compensation trade: ultimately, the consumer foots the bill, and prices rise in much the same manner. Thus if the government succeeds in its commendable effort to curtail compensation trade, it will still be faced with the problem of finding markets for Turkey's costly exportable surpluses.

#### EGYPT

New Egyptian Government: The formation by King Farouk on 26 July of a major coalition cabinet under a neutral premier (Hussein Sirry) to replace the minority government of Abdel Hadi provides Egypt with its most representative government in many years. The neutral character of the new government is emphasized by the fact that Prime Minister Hussein Sirry is an independent who holds the portfolios of Foreign Affairs and Interior, as well as the Premiership, and by the fact that the remaining posts are distributed among the four main and several minor parties. It is particularly significant that Egypt's largest party, the Wafd, is included in the government for the first time since 1944.

Although the stabilizing influence of the new government may provide a more favorable atmosphere for foreign governments to do business with Egypt, the Sirry Government probably will not conclude any new agreements with the West inasmuch as it is an interim government and is expected to remain in office only until the October elections have been completed. It may, however, prepare the ground for succeeding governments to conclude such accords. In any event, its representative character increases the likelihood that the fall elections will be conducted with a fair degree of impartiality. The new government should also prove more effective than its predecessors in handling terrorist activities, whether instigated by the Communists or the outlawed extremist group, the Moslem Brothers. Probably Hussein Sirry will be chiefly concerned with holding the coalition together and persuading his ministers to subordinate party interests to the common good.

#### IRAQ

Trouble as usual: Dissatisfaction with the regime of Prime Minister Nuri Said is growing in Iraq. During its six months of office, the government has taken no effective steps to improve the unhealthy economic and financial position of the country. Moreover, relations with the other Arab states (particularly Syria and Egypt) are strained, little progress has been

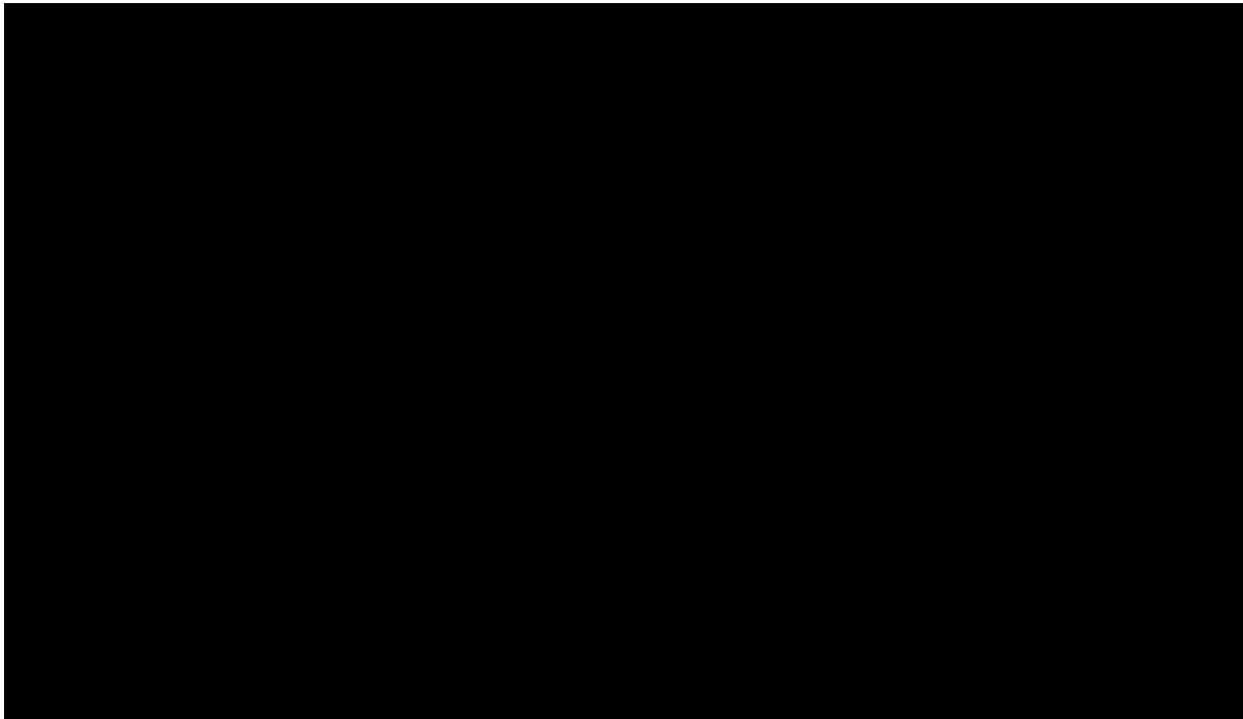
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made in renegotiating the oil royalty rate with the Iraq Petroleum Company, and the railway and World Bank loans are still in the talking stage. There have been rumors, coincident with the return from Jordan of the last elements of the Iraqi Army, of a possible military coup similar to that of Zaim in Syria. Two factors, however, make such an event unlikely at the present time. In the first place, there appears to be no strong leadership available to direct and carry through a seizure of power. Second, it is too hot in Baghdad during the summer (hotter than Washington) to undertake any project requiring more than a minimum of exertion. More probably, the present government will continue to function until autumn, when an extensive cabinet shake-up is likely.

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#### IRAN

Opposition to AIOC offer: Failure of the Majlis to ratify the supplemental agreement to the Anglo-Iranian Oil Company (AIOC) concession may have serious economic consequences by depriving Iran of approximately £ 15,000,000 of immediate revenue. Loss of this revenue means additional strain on the country's financial resources, which are already bearing the

\* Prepared in collaboration with International Organizations Group.

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heavy burden created by a record "normal budget," the recently initiated economic development program, internal pressure for an expanded military establishment, and an increasingly unfavorable balance of trade. Majlis reaction to the agreement was unexpectedly violent and may be attributed to anti-British sentiment and political theatrics rather than to sober objections to the terms, which would have elevated Iran's oil income to a point more in line with recent Middle Eastern oil contracts. Although AIOC claims that this agreement represents the company's final compromise, it is still possible that additional slight revisions may be made in Iran's favor. Such a development, together with greater publicity for the concessions already made, might promote favorable consideration of the agreement when the Majlis convenes in the autumn. With or without an agreement, however, AIOC is expected to maintain normal operations in the oilfields.

#### INDIA-PAKISTAN

The Kashmir situation: Although the Indian and Pakistani Armies have agreed on demarcation of a cease-fire line in Kashmir, it is considered unlikely that this step marks any real progress toward settlement of the dispute. The determining factor will probably be India's reaction to the proposal which the UN Commission on India and Pakistan (UNCIP) is expected to make that an Indian-Pakistani political meeting be held with a view to implementing truce proposals, in preparation for a plebiscite to decide whether Kashmir will accede to India or Pakistan. The economic advisors of the Government of India (GOI) are reportedly recommending to Prime Minister Nehru with increasing urgency that a settlement of the Kashmir problem be effected. The GOI, however, is extremely reluctant to permit a plebiscite in the near future, and any efforts which the Indians might make toward a speedy settlement would probably be directed toward the partition of Kashmir roughly in accord with the present cease-fire line rather than toward a plebiscite as demanded by Pakistan and as originally promised by India. Such efforts would probably be unavailing inasmuch as India's plan for partition would doubtless be unacceptable to Pakistan. This factor, plus India's reluctance to risk the loss of all of Kashmir through a plebiscite, makes it unlikely that the GOI will do much at this time to facilitate a settlement as envisaged by UNCIP in its resolutions of 13 August and 5 January. Unless economic considerations compel a change in the Indian attitude, it is expected that the Kashmir problem in its present dangerous state will revert to the Security Council for further discussion.

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NOTED IN BRIEF

The Greek guerrillas' footless efforts to send a "peace" delegate to last spring's UNGA meeting are being reopened with a view to next September's session. The guerrillas now optimistically propose to send an "official" delegation of three--two Greeks and one Slavo-Macedonian--with stress on their "policy of pacification in Greece." There is no sign at this juncture that anything more than propaganda is intended, although the relative lack of fanfare in comparison with the previous "peace offensive" may indicate that the guerrillas are losing some of their determination.

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The heart seizure reportedly suffered by Marshal Cakmak, the only Turk of that rank and honorary leader of the opposition Nation Party, may incapacitate one of the major personalities of the Turkish Republic. As the Sultan's Minister of War in 1920, he was most useful in aiding the revolutionary Kemalists. After his retirement in 1944 as Chief of Staff of the Turkish armed forces, Cakmak went into politics in opposition to the government. Because of his obvious political naivete, however, and because of the weakness of the party to which he lent his name and prestige, the chance of his succeeding to the presidency was ever slight. Despite the veneration in which he has been held, the removal of this old soldier from the political scene will have no great effect on Turkey's future.

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Two other Arks have reportedly been located in Turkey at places remote from Mount Ararat, while a US group is preparing to search for yet another Ark in the traditional place. It appears that Noah, a cautious man, believed more thoroughly (at least in duplication) than has previously been reported.

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Disagreement among Arab leaders in Libya has arisen now that fears of an Italian return to Tripolitania have subsided and a united, independent Libya appears as a distinct possibility. Beshir al Saadawi, hitherto foremost of these leaders in Tripolitania, is distrusted by Emir Sayid Idriss al Senussi, the Cyrenaican leader sought by the Tripolitanians as titular head of a united Libya. Idriss, however, would prefer to have Tripolitania administered by the Mufti of Tripolitania, who assumed local leadership during the agitation over the Bevin-Sforza Plan, at which time Saadawi was ill in Cairo. Although the pro-Saadawi and pro-Mufti factions appear to be about equal in strength, the Emir will probably have his way if Libya gains its independence.